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SUBJECT: U/S JEFFERY DISCUSSES IRAN SANCTIONS, ENERGY SECURITY/CLIMATE CHANGE, AND TRANSATLANTIC ECONOMIC COOPERATION WITH GERMAN CHANCELLERY AND MFA OFFICIALS

Classified By: EMIN Robert A. Pollard for reasons 1.4
(b) and (d).

¶1. (C) Summary: German Government officials in the Chancellery and MFA expressed to visiting Undersecretary Reuben Jeffery their preference for multilateral sanctions designed to prevent Iran from developing its nuclear weapons program. While willing to consider EU autonomous sanctions in the event the P5-plus-1 are unable to agree on a third UNSC resolution, the German Government fears premature discussion of EU sanctions would undermine international unity and give China and Russia "an excuse to back out" of multilateral efforts. Chancellery and MFA officials reviewed EU and German efforts to diversify energy supply and to encourage Russia to behave as a responsible energy supplier. Discussing the upcoming meeting of the Transatlantic Economic Council (TEC), MFA officials cited the need for high-level engagement to sustain political momentum and suggested the USG press European Commission President Barroso's cabinet to break up bureaucratic logjams in Brussels. End Summary.

¶2. (U) During his October 15-17 visit to Berlin to participate in G-8 meetings on climate change and the Heiligendamm Process, Undersecretary for Economic, Energy, and Agricultural Affairs Reuben Jeffery participated in side meetings with German Government officials. At the Chancellery, he met with Deputy National Security Advisor Rolf Nikel, Economic Director Andreas Nicolin, and Energy Director Stephanie von Ahlefeldt. At the MFA, Jeffery met with State Secretary Georg Boomgaarden, Director General for Economic Affairs (and G-8 sous sherpa) Ruediger von Fritsch, Energy Division Director Thomas Meister, North America Division Director Christoph Eichhorn, and International Economic Policy Division Director Ingo Karsten.

Iran Sanctions

¶3. (C) Deputy National Security Advisor Nikel stated that the direction of the EU Foreign Ministers is clear - the EU intends to support action taken by the UNSC with complementary, and, if warranted, supplementary measures in Brussels. He noted that EU Foreign Ministers do not want to give Russia and China an "excuse to back out" by moving forward too quickly with EU autonomous sanctions. Nikel said the German Government had not ruled out the possibility of autonomous sanctions, but thought it is premature to discuss the issue. Not only are multilateral sanctions more effective, he argued, they also reinforce international unity. Nikel also noted Chancellor Merkel had placed Iran high on the agenda for her October 15 summit with Russian

President Putin. U/S Jeffery noted the EU and U.S. share the same goal - preventing Iran from developing a nuclear weapon - and stated the U.S. would continue to urge U.S. companies and others to be wary of taking a "business as usual" approach in Iran.

¶ 14. (C) Nikel said German companies have "heeded the call" and noted that German trade with Iran had dropped considerably. He also cited a sharp decrease in German export credit guarantees. Nikel stressed that Germany is "not the weak link in the chain," adding that "other friends" had not matched German efforts thus far. Jeffery said the U.S. applauds German efforts in this regard, particularly actions taken by the German banking sector. He stressed the importance of continuing work to identify measures and entities for possible inclusion in a third UN resolution and noted that the EU would need to be prepared to move quickly in the event it is not possible to get Russia and China on board. Nikel said Germany is involved in "prudent planning" in this regard and could come up with proposals very quickly. He noted that EU implementing regulations went farther than required by UNSCRs 1737 and 1747. Von Geyr asked about U.S. efforts to press Gulf countries on implementation.

¶ 15. (C) Nikel expressed concern about pending Congressional legislation that might penalize foreign companies for doing business with Iran. Measures should target Iran, but should not create barriers to legitimate trade or unnecessarily create friction in the transatlantic economic relationship, Nikel said. Jeffery stressed the importance of demonstrating that U.S. diplomatic efforts against Iran are achieving results.

¶ 16. (C) The MFA's Ruediger von Fritsch agreed it is critical that Iran not develop a nuclear weapons program, noting that

BERLIN 00001909 002 OF 003

such a result would pose an existential threat to Israel. He stressed that close international cooperation was the most effective tool against Iran. Von Fritsch noted the dramatic reduction in Germany's economic ties to Iran. In addition to cutting export credit guarantees, German authorities continue to remind exporters that the situation in Iran will not get easier in the near future and that another round of sanctions could further complicate any business relationships. Von Fritsch stressed the need for the international community to "step forward together," noting that diminished international solidarity would only benefit Iran. Von Fritsch said German Government information indicated China's request to postpone the P5-plus-1 political directors meeting stemmed from the lack of a party-approved consensus position and should not be taken as a sign that China opposes further UNSC action.

Energy Security / Climate Change

¶ 17. (C) U/S Jeffery stated he had recently participated in a U.S. Chiefs of Mission conference in Istanbul to discuss how the USG should approach the issue of Eurasian energy security, specifically in terms of the size and importance of Russia as a supplier of oil and natural gas and the need to improve diversity of supply. The Chancellery's Stephanie von Ahlefeldt noted that the EU's energy policy prioritizes climate change, renewable energy, and fostering competition within Europe over promoting energy security. She stated EU member states agree on the need to diversify supply routes and are focusing primarily on the Caucasus, Central Asia, and northern Africa.

¶ 18. (C) Ahrenfeldt noted, however, that Germany and other EU member states remain concerned about maintaining good relations with Russia and are trying to find ways to address "ugly issues" and strengthen the relationship with Russia at the same time. Nikel stated that Russia is, essentially, the Saudi Arabia of natural gas and said there is no way that Europe will be able to overcome its reliance on Russian

oil/natural gas in the medium term. He stressed the importance of a stable relationship between consumer and producer states and agreed on the importance of discouraging Russia from using energy as political blackmail. Jeffery pointed to the St. Petersburg G-8 Summit Declaration language on responsible management of energy resources as a useful tool for engaging Russia. Nikel noted the EU's commitment to concluding negotiations on the Energy Charter Treaty and the Partnership and Cooperation Agreement.

¶ 9. (C) At the MFA, von Fritsch agreed that diversification is a good strategy and pointed to German efforts during its EU Presidency to improve outreach and cooperation with countries in Central Asia and North Africa. He noted that German reliance on Russia "informs" the bilateral relationship, but stressed that Russia - and the USSR before it - has been a reliable energy partner.

¶ 10. (C) On renewables, Ahlefeldt noted each EU member state will determine its own priorities/approaches to meet individual country contributions to the EU-wide binding target of 20 percent usage of renewables by 2020. She said Germany is focusing on a mix of wind, biomass, and, to a lesser extent, solar. On biofuels, Ahlefeldt said, Germany would like to see further progress toward achieving international sustainability standards. Jeffery reviewed U.S. prgress on building a biofuels partnership with Brazil and its focus on technology sharing and develoing biofuels in ways that do not harm the enviroment or cannibalize the food supply.

¶ 11. (C) In response to a question on the implications of the German commitment to phase out nuclear power facilities for Germany's energy profile, Nikel said he Chancellery agreed on the need to take nuclea energy into account, but alluded to strong public opposition and the Social Democratic Party's (SPD) control of the MFA and Environment Ministry as key obstacles. At the MFA, Meister reiterated German support for the Washington International Renewable Energy Conference and asked Jeffery whether the U.S. would support the establishment of an International Renewable Energy Association (IRENA) to promote technology cooperation on renewables. He noted a new agency would help to address emerging economies' strong distrust of the International Energy Agency (IEA).

¶ 12. (C) In both meetings, Jeffery expressed appreciation for

BERLIN 00001909 003 OF 003

German participation in the Major Economies Meeting (MEM) and stressed the U.S. commitment to work toward a long-term goal for reducing greenhouse gas emissions. He reviewed outcomes and next steps, including the MEM's focus on technology transfer, financing and private investment in developing countries, and developing tools to measure and monitor compliance. Nikel reiterated the importance Germany places on binding targets as a means to send a clear signal to developing countries and to create an incentive for industry to develop climate-friendly energy technologies. At the MFA, Boomgaarden noted the progress the United States and the EU had made on climate change during the German Presidency and stressed the importance of continued dialogue. Boomgaarden said Foreign Minister Steinmeier had been impressed with action being taken on the state level in the United States, particularly in California. He acknowledged the importance of a technology-based approach, but said emissions trading and binding goals should also be the basis for further discussion. Von Fritsch said Germany appreciated the U.S. position that MEM outcomes should feed into the UNFCCC process.

Transatlantic Economic Council

¶ 13. (C) Von Fritsch said the November 9 meeting of the Transatlantic Economic Council should send a political signal

that the United States and the EU are able to reach agreement on a wide range of economic issues, including industry and accounting standards, and help underscore the relevance and importance of the transatlantic relationship for the broader European and U.S. public. Von Fritsch said German officials are pleased with the success of ongoing discussions between Commissioner Verheugen and National Economic Council Director Hubbard, but suggested that the U.S. directly engage officials in Commission President Barroso's cabinet in order to break bureaucratic logjams in areas beyond Verheugen's jurisdictional competency and control. Eichhorn confirmed the Commission bureaucracy is the main obstacle on the European side. Von Fritsch indicated Germany - as a member of the EU's "trio presidency" - will participate in the TEC meeting. Eichhorn stressed the need for TEC to produce a strong set of deliverables for the 2008 U.S.-EU Summit in Slovenia. He indicated Chancellor Merkel would continue to push the Commission and stressed the need for high-level U.S. engagement to generate and sustain political momentum.

**¶14. (U) U/S Jeffery's office has cleared this message.
KOENIG**